



December 4, 2015

Mr. Michael Tollstrup
Chief, Project Assessment Branch, Industrial Strategies Division
Air Resources Board
1001 I Street
Sacramento, CA 95812

RE: Cap-and-Trade Adaptive Management Process (AMP)

Dear Mr. Tollstrup,

The AB 32 Implementation Group includes industry and taxpayer organizations advocating for policies to reach AB 32 emission reduction goals in a cost-effective manner to protect jobs and the economy.

The AB 32 Implementation Group appreciates the opportunity to submit initial comments on materials and concepts presented by the Air Resources Board (ARB) Staff during the November 19, 2015 Adaptive Management Process workshop and the discussion guide released on November 5, 2015.

The purpose of the Adaptive Management Process is to respond to and monitor greenhouse gas (GHG) emissions at facilities participating in the cap-and-trade market system. Our concerns come at the potential of sacrificing the integrity of the cap-and-trade program by using an arbitrary AMP which at this point in time creates more questions than supplies answers.

The emissions cap under the cap-and-trade program is intended to address overall emission trends on a statewide basis, not a sub-regional or individual facility basis.

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The mapping tool, demonstrated during the workshop, and as currently configured allows users to obtain data on individual facilities. This approach promotes the false perception that GHG emissions trends at individual facilities can be correlated with impacts in communities surrounding these facilities.

We echo concerns voiced by other stakeholders that as currently designed there is potential for misuse of the data as some parties may attempt to erroneously correlate slight increases in GHG emissions at individual facilities with localized impacts, or trades made in the cap-and-trade program with actual facility emissions. Such actions would be misleading and should be discouraged.

In fact, individual facility emissions can be expected to fluctuate due to various factors such as operating rates, maintenance needs and, most importantly, market factors. ARB should use the AMP program to evaluate the statewide impact of the cap-and-trade program rather than to evaluate individual facility operations. Bearing this in mind, ARB should reconfigure its draft GHG mapping tool to aggregate emissions data on a statewide basis, consistent with the scope and design of the cap-and-trade program.

It is our understanding that ARB intends to look at emissions trends over perhaps 5-6 years – a period that seems reasonable given the compliance intervals under the cap-and-trade program. However, in the workshop ARB discussed a year over year analysis. Such a condensed timeline is not appropriate for regulated stakeholders because annual changes over 5% are frequent due to the need for maintenance and other potential changes in operations.

As discussed above any focus on individual facilities is flawed and will only serve to destroy the flexibility and cost effective elements designed into cap-and-trade program. Criteria pollutants are not treated with the same rigor as suggested by the AMP, because the air districts allow offsets within an air basin. Such allowances which are made for criteria pollutants would not stand the same scrutiny of ARB's proposed 5% limit to facilities.

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Further, we question why was a '5% increase' in GHG emissions chosen as a trigger for further review? How were baseline years chosen, and why? How will geographic areas be defined, by what criteria, and for what reasons? Why are economic sectors included and how does this relate to localized adverse impacts given that individual facilities could be spread across the state?

In the spirit of collaboration and ensuring the cap-and-trade program isn't compromised by the results of the AMP, we believe the AMP working group should be expanded to include industry representatives.

The cap-and-trade program affects the entire California economy. Any programs that correlate with it such as the AMP must be developed that meets the goal of AB 32 which is to reduce GHG emissions in California.

The AB 32 IG has repeatedly commented that California cannot go it alone in the overall reductions of GHG emissions. While we can appreciate the vision of California leading the nation and creating a model for other states and nations to follow, we must also be mindful that adjustments to our current programs specifically the AMP could undermine the objectives of the cap-and-trade program.

We look forward to continuing the conversation regarding the AMP as it evolves. Should you have any questions or need anything further, please feel free to contact Shelly Sullivan at (916) 858-8686.